



***Appendix E***  
***Credit/Collateral Requirements***  
  
***for***  
  
***2021 Request for Proposals***  
***for***  
***Renewable Resources***  
***for***  
***Entergy Arkansas, LLC***

Entergy Arkansas, LLC  
August 3, 2021

## **Appendix E Credit/Collateral Requirements**

This Appendix E contains a brief overview of the rules and processes for credit evaluations in the RFP, certain bidder registration and proposal submission requirements related to credit, and key credit support terms for any Definitive Agreement arising out of the RFP. The rules and procedures seek to assure, first, that Seller's credit quality, when considered in the context of a Bidder's proposal to EAL, complies with Entergy's corporate risk management standards for solar resource RFPs, and, second, that any requirement for material credit support associated with the proposal is made known to Bidder in advance and can be appropriately considered in the preparation and evaluation of the proposal. Bidders are advised that, as support for the second objective, and to help avoid protracted negotiations on credit support matters after proposal selection and reduce transaction execution risk, Section C significantly restricts Bidder's authority to take special exceptions to the terms of this Appendix E.

### **A. Requirements for Bidder Registration and Proposal Submission.**

1. **Basic Requirements.** As part of the Bidder Registration Process, Bidder is required to (i) provide the credit information regarding Seller and, if applicable (see Section A.2 below), the proposed Seller Parent Guarantor (defined below) that is requested, either in the Bidder Registration Form (available on the 2021 EAL RFP Website) or in this Appendix E, to be provided at the bidder registration stage of the RFP process. The information Bidder is required to provide at bidder registration includes, among other things:

- the most recent Published Credit Rating from S&P and Moody's of Bidder (or, if different from Bidder, Seller) and, if applicable, the proposed Seller Parent Guarantor, to the extent such a rating exists; and
- the annual audited financial statements for the past two (2) years and the current-year reviewed quarterly financial statements of Bidder (or, if different from Bidder, Seller) and, if applicable, the proposed Seller Parent Guarantor. Each financial statement needs to include the auditor's opinion and notes to the financial statements, the balance sheet, the income statement, and the cash flow statement.

Bidder must supply the information required to be provided at bidder registration in or with the Bidder Registration Form.

**In addition, as part of the Proposal Submission Process, Bidder is required to include in the Proposal Package for each proposal (i) the credit information regarding Seller and, if applicable (see Section A.2 below), the proposed Seller Parent Guarantor that is requested, either in Section 6 of Appendix D to the RFP or in this Appendix E, to be provided in the Proposal Package and (ii) a fully completed certificate, in substantially the form attached hereto as Annex E-1, executed by a Treasury Officer, to be provided in response to item 6.5.2 in Appendix D.**

If financial data and information of Bidder, Seller, or, if applicable, the proposed Seller Parent Guarantor required to be provided in the Bidder Registration Form, Section 6 of Appendix D to the RFP, or this Appendix E are consolidated with that of another Person, all such

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data and information must be extracted and segregated from the consolidated data and information and included as a separate pdf document (as Attachment 1 to the Bidder Registration Form, if the data or information is required as part of the Bidder Registration Process, or as part of the Proposal Package, if the data or information is required as part of the Proposal Submission Process).

If Bidder fails to provide the requested information in a timely manner, the Credit Evaluation Team (“**CET**”) may be unable to factor into its evaluation of Bidder’s credit requirements for its proposal(s) certain reductions to Bidder’s liquid credit support obligations that otherwise may have been available to Bidder (see Section B.3 below). The loss of these reductions during the CET’s credit assessment process may adversely affect the evaluation of Bidder’s proposal(s).

2. Seller Parent Guaranty Assessment Information. As addressed in more detail in Section B below, the RFP requires Seller to post liquid credit support as security for its obligations under the Definitive Agreement and related Seller commitments. Seller may be able to reduce the amount of its required liquid credit support for a proposed transaction by providing a guaranty of Seller’s payment obligations under the Definitive Agreement and related Seller commitments (“**Seller Parent Guaranty**”).

Following Bidder Registration and prior to the commencement of the Proposal Submission Period applicable to Bidder, the CET’s assessment and determination of the credit quality of a potential guarantor in the Seller Parent Guaranty (“**Seller Parent Guarantor**”) and the amount of the decrease, if any, in Seller’s required liquid credit support obligations based on such assessment, Bidder must (i) indicate in the Bidder Registration Form for the proposal its interest in possibly providing a Seller Parent Guaranty, (ii) identify in such Bidder Registration Form the proposed Seller Parent Guarantor for the proposed transaction, and (iii) include in the documentation to be provided by Bidder as part of the Bidder Registration Process for the proposal the other material and information relating to Seller Parent Guarantor that must be delivered by Bidder as part of the Bidder Registration Process for such proposal, as described in Section A.1 above. If Bidder provides the information specified in clauses (i) - (iii) above as required, the CET will perform the credit assessment of Seller Parent Guarantor and communicate to Bidder the amount of the reduction, if any, in the required liquid credit support that Seller would receive if Seller provided the Seller Parent Guaranty, assuming no subsequent material change(s) affecting Seller Parent Guarantor’s credit quality or eligibility for reduction. Please see Section B.3 below for additional information on the CET’s process for determining liquid credit support reductions. If Bidder identifies a Seller Parent Guarantor in the Bidder Registration Form for a proposal, Bidder will be under no obligation to offer to provide a Seller Parent Guaranty at proposal submission.

### **B. Liquid Credit Support Requirements.**

1. Form. As noted in Section A above, the Definitive Agreement will require Seller to provide liquid credit support for its obligations. For PPA transactions and for BOT transactions during the period from execution of the Definitive Agreement through the Closing, Seller will be required to post and maintain a letter of credit meeting the requirements of the RFP and the Definitive Agreement. For unaffiliated third party-financed BOT transactions during the

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period from and after the Closing, Seller may satisfy its liquid credit support obligations by, at its election, (i) letter of credit, (ii) cash holdback (where EAL withholds a portion of the purchase price from its Closing payment to Seller in lieu of a letter of credit), or (iii) some combination of both.

If Bidder submits a proposal for an unaffiliated third party-financed BOT transaction, Bidder must specify in the Proposal Submission Template which of the three permitted post-Closing liquid credit support options it has elected. If Bidder has elected to provide post-Closing liquid credit support for a BOT transaction through a combination of letter of credit and cash holdback, Bidder must also specify in the Proposal Submission Template the percentage that will come via letter of credit and the percentage from cash holdback (which must total to 100% of the post-Closing liquid credit support obligation). The percentage of post-Closing liquid credit support between cash holdback and letter of credit will be fixed for the entire period that Seller is obligated to provide post-Closing liquid credit support, except that, for solar BOT transactions, Bidder may specify a different percentage of cash holdback and letter of credit for the period from the Closing through the Substantial Completion Payment Date than for the period after the Substantial Completion Payment Date.<sup>1</sup>

Any letter of credit provided pursuant to the Definitive Agreement must be substantially similar to the form letter of credit attached as Annex E-2. In addition, the letter of credit must be issued and maintained during its term by a U.S. commercial bank or the U.S. branch office of a foreign bank that, in either case, has a Published Credit Rating of at least A- from S&P and A3 from Moody's and total assets of at least \$10 billion (an amount subject to periodic adjustment in PPA transactions, as set forth in the Model PPA). Seller may provide and have in effect at any given time up to two (2) conforming letters of credit to satisfy its letter of credit obligations to Buyer.

The Definitive Agreement may also require Seller to provide a Seller Parent Guaranty in addition to liquid credit support. A Seller Parent Guaranty will be required in the Definitive Agreement if Bidder has elected to provide and EAL has agreed to accept a Seller Parent Guaranty from the specified Seller Parent Guarantor.

2. Amount. Seller will be required to provide liquid credit support within three (3) Business Days after execution of the Definitive Agreement. The amount of liquid credit support that Seller must provide during the term of the Definitive Agreement will be adjusted at various milestone dates, as specified in the Definitive Agreement. The tables below show key milestones for the liquid credit support requirement (each, a “**Letter of Credit Milestone**” (PPAs and BOT Agreements up to the Closing) or a “**Liquid Credit Support Milestone**” (BOT Agreements at and after the Closing)) and, subject to Section B.3 below and certain other exceptions set forth in the Definitive Agreement, the corresponding amount of the

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<sup>1</sup> This flexibility is included to assure that Bidders financing the project with unaffiliated third party funds have the flexibility to pay off the project's construction loan in full at the Closing.

<sup>2</sup> In any model agreement provided with the RFP where Seller Parent is shown as signing in the functional capacity as a guarantor (e.g., the Model BOT Agreement), EAL reserves the right to require that Seller Parent Guarantor provide a separate payment guaranty satisfactory to EAL in lieu of Seller Parent Guarantor signing Transaction Agreements as a functional guarantor. Nothing in this footnote is intended to limit Bidder's ability to elect not to provide a Seller Parent Guaranty for the proposed transaction.

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liquid credit support required to be in effect (each, the “**Required Letter of Credit Amount**” (PPAs and BOT Agreements up to the Closing) or the “**Required Liquid Credit Support Amount**” (BOT Agreements at and after the Closing)).

### BOT Agreements

Table 1 provides key Letter of Credit Milestones for the BOT Agreement, whether for a solar or wind resource, and the associated Required Letter of Credit Amounts up to the Closing.

<i>Table 1. BOT Agreement Letter of Credit up to Closing</i>	
Letter of Credit Milestone	Required Letter of Credit Amount
BOT Agreement Execution	\$2,500,000 + \$15,000/MW, up to a maximum of \$4,000,000
Issuance of Full Notice to Proceed (FNTP)	\$100,000/MW

Table 2A provides key Liquid Credit Support Milestones for the Solar BOT Agreement and the associated Required Liquid Credit Support Amounts at and after the Closing.

<i>Table 2A. Solar BOT Agreement Liquid Credit Support at and after Closing</i>	
Liquid Credit Support Milestone	Required Liquid Credit Support Amount
Closing	
- If Project Financed by Unaffiliated 3 <sup>rd</sup> Parties	20% of the estimated Purchase Price as of the Closing
- If Project Not Financed by Unaffiliated 3 <sup>rd</sup> Parties (Self-Financed)	80% cash holdback of the estimated Purchase Price as of the Closing <sup>3</sup>
Substantial Completion Payment Date (SCPD)	15% of the estimated Purchase Price* plus the amount of any and all pending indemnity claims of Buyer against Seller, capped at the aggregate then-undrawn initial post-Closing letter(s) of credit or the unused cash holdback amount (or combination thereof) (up to 20% of the Purchase Price)
One-year Anniversary of the SCPD	10% of the estimated Purchase Price plus the amount of any and all pending indemnity claims of Buyer against Seller, capped at the aggregate then-undrawn

<sup>3</sup> A smaller percentage will apply for a self-financed project if in the RFP Seller proposed, in accordance with the requirements of the RFP, in the selected proposal (and the Parties have not otherwise agreed) that Seller will receive a larger percentage of the Purchase Price at the Closing.

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	initial post-Closing letter(s) of credit or the unused cash holdback amount (or combination thereof) on the one-year SCPD anniversary
Two-year Anniversary of the SCPD	\$0, plus the amount of any and all pending indemnity claims of Buyer against Seller, capped at the aggregate then-undrawn initial post-Closing letter of credit amount(s) or unused cash holdback amount(s) (or combination thereof) on the two-year SCPD anniversary

\*In addition, at the Substantial Completion Payment Date, Buyer will retain 175% of the agreed value of the punch list items as security for Seller's performance of its punch list obligations and an additional amount as security for manuals, drawings, and other items to be provided by to Buyer by Final Completion.

Table 2B provides key Liquid Credit Support Milestones for the Wind BOT Agreement and the associated Required Liquid Credit Support Amounts at and after the Closing.

<i>Table 2B. Wind BOT Agreement Liquid Credit Support at and after Closing</i>	
Liquid Credit Support Milestone	Required Liquid Credit Support Amount
Closing	15% of the estimated Purchase Price* plus the amount of any and all pending indemnity of Buyer against Seller
One-year Anniversary of the SCPD	10% of the estimated Purchase Price plus the amount of any and all pending indemnity claims of Buyer against Seller, capped at the aggregate then-undrawn initial post-Closing letter(s) of credit or the unused cash holdback amount (or combination thereof) on the one-year SCPD anniversary
Two-year Anniversary of the SCPD	\$0, plus the amount of any and all pending indemnity claims of Buyer against Seller, capped at the aggregate then-undrawn initial post-Closing letter of credit amount(s) or unused cash holdback amount(s) (or combination thereof) on the two-year SCPD anniversary

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Table 3 provides key Letter of Credit Milestones for PPAs and the associated Required Letter of Credit Amounts. The Required Letter of Credit Amounts are not subject to adjustment for inflation or the time value of money over the term of the PPA.

<i>Table 3. PPA Letter of Credit</i>	
Letter of Credit Milestone	Required Letter of Credit Amount
PPA Execution	\$2,500,000 + \$15,000/MW, up to a maximum of \$4,000,000
Receipt of Required Regulatory Approvals (or Buyer's Waiver of its Regulatory Approval Condition)	\$100,000/MW
Commercial Operation Date	\$200,000/MW
PPA Expiration + 270 days	\$0, <u>plus</u> the amount of any and all pending indemnity claims of Buyer against Seller, capped at the aggregate undrawn letter of credit amount(s) on the 270 <sup>th</sup> day after the PPA expires

3. Seller Parent Guaranty-Based Credit Support Reductions. The Required Letter of Credit Support Amounts and the Required Liquid Credit Support Amounts are subject to reduction based on the credit quality of Seller and Seller Parent Guarantor. In connection with the review of Bidder's registration of proposal(s), the CET will assess Seller's and, if a Seller Parent Guarantor is identified in the Bidder Registration Form(s) submitted by Bidder, Seller Parent Guarantor's creditworthiness. The CET will first determine whether Seller and, if applicable, Seller Parent Guarantor have any of the three following current public credit ratings (each, an "**Eligible Agency Rating**"):

- S&P's Long-Term Local Issuer credit rating
- Moody's Issuer rating
- Moody's Sr. Unsecured Debt rating.

If either Seller or, if applicable, Seller Parent Guarantor has one or more Eligible Agency Ratings, the CET will rely on the lowest credit rating from the Eligible Agency Ratings when assessing Seller's or Seller Parent Guarantor's creditworthiness and determining the amount of any reduction in the Required Letter of Credit Support Amounts and the Required Liquid Credit Support Amounts for the proposed transaction and any resulting Definitive Agreement. If there are no such Eligible Agency Ratings, the CET will evaluate Seller's or, if applicable, Seller Parent Guarantor's credit quality using credit information provided by Bidder in the RFP (see, e.g., Section A above, Section 6 of Appendix D), including in response to clarifying questions from the CET, or otherwise available to the CET and that the CET deems relevant to the credit assessment. The CET will also determine the total credit support exposure (including parent guarantees) of Buyer and its Affiliates to Seller and its Affiliates (including Seller Parent Guarantor) ("**Portfolio Exposure**") with and without the proposed transaction. The CET may

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conduct other analyses relevant to the credit evaluations and determinations contemplated by this Section B.3.

After completing its initial credit diligence, the CET will determine whether the credit quality of Seller or, if applicable, Seller Parent Guarantor is considered “Acceptable” for purposes of the RFP. An S&P Long-Term Local Issuer credit rating for Seller or Seller Parent Guarantor of BBB- or better and a Moody’s Issuer rating or Moody’s Sr. Unsecured Debt rating for Seller or Seller Parent Guarantor of Baa3 or better will be considered “Acceptable.” The CET may conclude in its sole discretion that the credit quality of Seller or Seller Parent Guarantor is “Acceptable” even though the minimum S&P and Moody’s criteria needed to ensure an “Acceptable” designation has not been satisfied.

If the CET determines that the credit quality of Seller or Seller Parent Guarantor is “Acceptable,” the Required Letter of Credit Support Amounts and the Required Liquid Credit Support Amounts will be reduced as set forth in Table 4 below, provided Bidder actually delivers to ELL and maintains a Seller Parent Guaranty for the proposed transaction. If the CET determines that the credit quality of Seller or Seller Parent Guarantor is not “Acceptable,” there will be no reduction the Required Letter of Credit Support Amounts or the Required Liquid Credit Support Amounts, as set forth in Table 4 below.

A cap on the reduction will apply if, as determined by the CET, the Portfolio Exposure including the proposed transaction exceeds the applicable “Portfolio Exposure Cap” set forth in Table 4 below. Bidders may obtain their respective credit quality ratings of Seller or Seller Parent Guarantor (“Acceptable” or “Not Acceptable”) by the CET prior to the start of the Proposal Submission Process by requesting the ratings from the Bid Event Coordinator no later than thirty (30) days before the Required Proposal Submission Deadline. If the credit quality rating of Seller or Seller Parent Guarantor is “Acceptable,” Bidder will also receive the conclusion(s) of the CET’s Portfolio Exposure analysis.

<i>Table 4. Required Letter of Credit Amount and Required Liquid Credit Support Amount Reductions for “Acceptable” and Not “Acceptable” Creditworthiness of Seller and/or Seller Parent Guarantor</i>		
CET Evaluated Credit Rating of Seller or Seller Parent Guarantor	Required Letter of Credit Amount or Required Liquid Credit Support Amount Reductions	Portfolio Exposure Caps
Acceptable	The lesser of (i) 50% of the Required Letter of Credit Amount or Required Liquid Credit Support Amount and (ii) the difference between the Portfolio Exposure Cap and the Portfolio Exposure	Eligible Agency Ratings (using the lowest rating if more than one applies): <ul style="list-style-type: none"> <li>• BBB+/Baa1 &amp; higher: \$75 million (M)</li> <li>• BBB/Baa2: \$62.5M</li> <li>• BBB-/Baa3: \$50M</li> </ul>



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	without the proposed transaction	No Eligible Agency Ratings but determined by the CET to be “Acceptable” in its sole discretion: \$50M
Not Acceptable	\$0	N/A

A “Credit Event” will negate any reduction in the Required Letter of Credit Amount or the Required Liquid Credit Support Amount and require Seller to provide the full, unadjusted Required Letter of Credit Amount or Required Liquid Credit Support Amount. If the CET becomes aware that a Credit Event has occurred within the proposal evaluation period, the CET expects to reflect the effect of a Credit Event on Seller’s liquid credit support requirements in its evaluation of Bidder’s proposal.

There are three “Credit Events.” The first is if and when Seller or Seller Parent Guarantor (whichever’s creditworthiness has led to the reduction in the Required Letter of Credit Amount or the Required Liquid Credit Support Amount) does not have an Eligible Agency Rating that is “Acceptable” under the criteria provided above, unless an Eligible Agency Rating was not the basis for the “Acceptable” rating prior to the Credit Event.

The second Credit Event is if and when Seller or Seller Parent Guarantor is Bankrupt.

The third and final Credit Event is if and when at least one of the following credit metrics for Seller or Seller Parent Guarantor (whichever’s creditworthiness has led to the reduction in the Required Letter of Credit Amount or the Required Liquid Credit Support Amount) is not met: (a) a CFO (cash flow from operations)/total debt ratio of at least 0.30, (b) a total debt/capital ratio of below 0.45, and (c) a total debt/EBITDA ratio of below 3.0 for Seller or Seller Parent Guarantor (as applicable). This Credit Event will be ignored and not apply (i) if, at the time of this Credit Event, Seller or Seller Parent Guarantor (as applicable) has an Eligible Agency Rating that is “Acceptable” under the criteria provided above and (ii) thereafter, for so long as such Eligible Agency Rating is continuously maintained.

Please see the definition of “Credit Event” and supporting definitions and terms in the Model BOT Agreement (Appendix B-1) or Model PPA (Appendix C) for more detailed information on Credit Events, the associated credit metrics, and the effects of Credit Events on Seller’s credit support obligations to Buyer. Section 24.13(b)(iv) and (v) of the Model BOT Agreement and Section 12.5(d) and (e) of the Model PPA address other potential Seller credit support adjustments triggered by events similar to Credit Events.

If a Credit Event has occurred, the Credit Event will terminate if and when the basis for the Credit Event does not exist (unless another Credit Event exists). At that point, subject to certain exceptions for BOT transactions provided in the Model BOT Agreement, and so long as Seller has provided to EAL a Seller Parent Guaranty that remains in full force and effect (if the Credit Event terminates after execution of the Definitive Agreement), Seller will be eligible to obtain the reduction in the Required Letter of Credit Amount or Required Liquid Credit Support Amount shown in Table 4 above. Similarly, if the credit rating of Seller or Seller Parent

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Guarantor that has been determined as of the Effective Date to be “Not Acceptable” later becomes “Acceptable” based on the criteria set forth herein, Seller will be eligible to receive the reductions shown in Table 4 above, subject to the same exceptions and qualifications referenced above.

#### **C. Special Considerations.**

THE CREDIT SUPPORT PROVISIONS OF THIS APPENDIX E ARE MATERIAL TO THE RFP. TO ENSURE THE CONSISTENT TREATMENT OF PROPOSALS, EXPEDITE THE NEGOTIATION OF DEFINITIVE AGREEMENTS ARISING OUT OF THE RFP, AND REDUCE TRANSACTION EXECUTION RISK, BIDDERS MAY NOT TAKE SPECIAL EXCEPTIONS TO THE CORE TERMS OF THIS APPENDIX E, INCLUDING, WITHOUT LIMITATION, THE PROCESSES DESCRIBED IN SECTION A, THE FORMS OF LIQUID CREDIT SUPPORT TO BE UTILIZED IN DEFINITIVE AGREEMENTS (CLARIFYING OR SIMILARLY MINOR SPECIAL EXCEPTIONS TO ANNEX E-2 AND THE ATTACHMENTS THERETO ARE PERMITTED), THE LIQUID CREDIT SUPPORT MILESTONES, THE REQUIRED LETTER OF CREDIT AMOUNTS, THE REQUIRED LIQUID CREDIT SUPPORT AMOUNTS, AND THE CREDIT SUPPORT REDUCTIONS AND ASSOCIATED METHODOLOGIES DESCRIBED IN SECTION B AND IN THE MODEL CONTRACTS, AND THE TERMS OF THIS SECTION C. EXCEPT IN EXTRAORDINARY CIRCUMSTANCES, EAL WILL NOT NEGOTIATE THE RFP’S CORE CREDIT TERMS WITH BIDDER OR SELLER. DURING THE QUESTION PHASE OF THE RFP, BIDDER MAY SUBMIT WRITTEN INQUIRIES ABOUT ANY OF THE TERMS OF THIS APPENDIX E, ANY OF THE MODEL CONTRACTS, AND ANY OTHER RFP PROVISIONS RELEVANT TO THE CREDIT EVALUATION AND CREDIT SUPPORT.

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**Annex E-1**

**Form of Credit Certification**

**2021 EAL RENEWABLE RFP**  
**CREDIT CERTIFICATION**

*{Insert the Bidder Number Assigned to Bidder}* (“Bidder”) hereby certifies to Entergy Arkansas, LLC (“EAL”), that Bidder, in connection with *{Insert the Proposal Number(s) assigned to Bidder for the proposal(s) that is (are) the subject of this Certification}* (the “Proposal(s)”), (i) has reviewed and understands to its satisfaction the terms of Appendix E to the RFP and the credit provisions of the Model Solar BOT Agreement, the Model Wind BOT Agreement, or the Model PPA, as applicable, and has considered such terms in the development of the Proposal(s), (ii) has reflected to its satisfaction in the pricing set forth in the Proposal(s) the costs, terms, and risks of the credit support that Seller and Seller Parent Guarantor are or may be required to provide for the proposed transaction(s) under the terms of Appendix E and the applicable Definitive Agreement, and (iii) accepts, and has taken no special exception to any of, the core credit terms of Appendix E or the applicable Definitive Agreement, including, without limitation, (A) the processes described in Section A of Appendix E, (B) the forms of liquid credit support, the liquid credit support milestones, the Required Letter of Credit Amounts, the Required Liquid Credit Support Amounts, and the credit support reductions and associated methodologies described in Section B of Appendix E and in the Model Solar BOT Agreement, the Model Wind BOT Agreement, or the Model PPA, as applicable to the Proposal(s), and (C) the terms of Section C of Appendix E.

Bidder further certifies to EAL that (i) this certification has been prepared under the direction of and signed by *{Insert one of the following: the Treasurer of Bidder, an officer of Bidder, the Treasurer of a parent of Bidder, an officer of a parent of Bidder, as applicable}*, (ii) the undersigned performs a managerial credit oversight function, has expertise in solar project financing and providing credit support to buyers of new-build generation facilities or of long-term power supply therefrom, and has been involved in the preparation of the Proposal(s), and (iii) this certification has been prepared and is dated reasonably contemporaneous with the date(s) of submission of the Proposal Package(s) for the Proposal(s).

Bidder Number *{Insert Bidder Number Assigned to Bidder}*

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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**Annex E-2**  
**Form of Letter of Credit**

Irrevocable Standby Letter of Credit No. [L/C NUMBER]

Date: [L/C ISSUANCE DATE]

BENEFICIARY:  
ENTERGY ARKANSAS, LLC  
c/o ENTERGY SERVICES, LLC  
10055 GROGANS MILL RD, SUITE 300  
THE WOODLANDS, TEXAS 77380

APPLICANT:  
[INSERT NAME]  
[ON BEHALF OF [\_\_\_\_\_]]  
[INSERT ADDRESS]  
[INSERT CITY/STATE/ZIP CODE]

LADIES AND GENTLEMEN:

AT THE REQUEST AND FOR THE ACCOUNT OF [●] (THE “APPLICANT”), ON BEHALF OF [●] (THE “ACCOUNT PARTY”), [ADDRESS], WE, [●] (THE “ISSUER”), HEREBY ESTABLISH, EFFECTIVE IMMEDIATELY, IN FAVOR OF ENTERGY ARKANSAS, LLC (THE “BENEFICIARY”), OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [●] (THIS “LETTER OF CREDIT”) IN THE AGGREGATE AMOUNT OF [●] AND NO/100 UNITED STATES DOLLARS (U.S. \$[●].00) (AS SUCH AMOUNT MAY BE REDUCED FROM TIME TO TIME BY PARTIAL DRAWS HEREUNDER, THE “STATED AMOUNT”).

THIS LETTER OF CREDIT IS BEING ISSUED PURSUANT TO THAT CERTAIN [B-O-T ACQUISITION AGREEMENT][POWER PURCHASE AGREEMENT], DATED AS OF [●], 202[●], BY AND AMONG THE APPLICANT, THE ACCOUNT PARTY, AND THE BENEFICIARY (SUCH AGREEMENT, AS MAY BE AMENDED, SUPPLEMENTED, OR OTHERWISE MODIFIED FROM TIME TO TIME, THE “AGREEMENT”).

THIS LETTER OF CREDIT IS ISSUED, PRESENTABLE, AND PAYABLE AT THE ISSUER’S OFFICE LOCATED AT [INSERT PHYSICAL ADDRESS OF BANK’S COUNTERS] AND, EXCEPT AS PROVIDED BELOW, EXPIRES WITH OUR CLOSE OF BUSINESS ON [INSERT DATE THAT IS AT LEAST 364 DAYS AFTER THE EFFECTIVE DATE OF L/C] (AS SUCH DATE MAY BE EXTENDED AS PROVIDED BELOW, THE “EXPIRATION DATE”).

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED WITHOUT WRITTEN AMENDMENT FOR A PERIOD OF ONE (1) YEAR FROM THE INITIAL EXPIRATION DATE, AND THEREAFTER FOR ONE (1) YEAR FROM EACH FUTURE EXPIRATION DATE, UNLESS, AT LEAST

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THIRTY (30) CALENDAR DAYS PRIOR TO THE THEN APPLICABLE EXPIRATION DATE, WE NOTIFY THE BENEFICIARY IN WRITING BY REGISTERED MAIL, RETURN RECEIPT REQUESTED, OR OVERNIGHT COURIER SERVICE AT THE ABOVE-STATED ADDRESS THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT BEYOND THE THEN-APPLICABLE EXPIRATION DATE; PROVIDED, HOWEVER, THAT THE BENEFICIARY MAY, AT ANY TIME, RETURN THIS LETTER OF CREDIT TO US BY REGISTERED MAIL, RETURN RECEIPT REQUESTED, OR OVERNIGHT COURIER, WITH INSTRUCTIONS TO CANCEL THIS LETTER OF CREDIT, AND WE SHALL THEREAFTER CANCEL THIS LETTER OF CREDIT EFFECTIVE UPON OUR RECEIPT OF THIS LETTER OF CREDIT FROM THE BENEFICIARY, TOGETHER WITH SUCH INSTRUCTION.

THIS LETTER OF CREDIT SHALL FINALLY EXPIRE ON [*INSERT DATE THAT IS AT LEAST ONE YEAR AFTER THE INITIAL EXPIRATION DATE OF L/C*], IF IT HAS NOT PREVIOUSLY EXPIRED IN ACCORDANCE WITH THE PRECEDING PARAGRAPH.

FUNDS IN PAYMENT OF A DRAWING UNDER THIS LETTER OF CREDIT ARE AVAILABLE TO THE BENEFICIARY BY PAYMENT AT SIGHT AGAINST PRESENTATION, AT OUR OFFICE STIPULATED HEREINABOVE, OF THE APPROPRIATELY COMPLETED SIGHT DRAFT(S) IN THE FORM OF EXHIBIT 1 ATTACHED HERETO AND THE APPROPRIATELY COMPLETELY DRAWING CERTIFICATE(S) IN THE FORM OF EXHIBIT 2 ATTACHED HERETO, EACH PURPORTEDLY BEARING THE SIGNATURE OF AN AUTHORIZED PERSON FOR THE BENEFICIARY (COLLECTIVELY, THE "DRAWING DOCUMENTS").

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENTS PRESENTED IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT SHALL BE DULY HONORED IF PRESENTED FOR PAYMENT ON OR BEFORE THE EXPIRATION DATE. IF A DRAWING IN COMPLIANCE WITH THE TERMS AND CONDITIONS HEREOF IS PRESENTED AT THE ADDRESS SPECIFIED ABOVE OR DELIVERED TO US BY OVERNIGHT COURIER AT OR PRIOR TO THE CLOSE OF BUSINESS ON A BUSINESS DAY, PAYMENT OF THE AMOUNT SPECIFIED IN SUCH DRAFT WILL BE MADE ON OR BEFORE THE CLOSE OF BUSINESS ON THE SECOND BUSINESS DAY FOLLOWING THE BUSINESS DAY OF DELIVERY.

WE MAY DISHONOR DRAWING DOCUMENTS ONLY IF SUCH DOCUMENTS DO NOT COMPLY WITH THE TERMS OF THIS LETTER OF CREDIT. WE HAVE NO DUTY OR RIGHT TO INQUIRE INTO THE VALIDITY OF OR THE BASIS FOR ANY DRAW. ANY NOTICE OF DISHONOR SHALL STATE ALL DISCREPANCIES UPON WHICH OUR DISHONOR IS BASED. PRESENTATION OF DEMANDS FOR AMOUNTS IN EXCESS OF THE AMOUNT AVAILABLE UNDER THIS LETTER OF CREDIT IS ACCEPTABLE AND SUCH DEMANDS ARE NOT DISCREPANT FOR THAT REASON; HOWEVER, THE AMOUNT WE ARE OBLIGATED TO PAY ON ANY SUCH DEMAND WILL NOT EXCEED THE AMOUNT AVAILABLE UNDER THIS LETTER OF CREDIT.

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PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED HEREUNDER. ANY DRAWING HONORED HEREUNDER BY THE ISSUER SHALL REDUCE THE STATED AMOUNT AVAILABLE FOR DRAWINGS BY THE AMOUNT OF SUCH DRAWING.

THIS LETTER OF CREDIT (INCLUDING THE DRAW RIGHTS HEREUNDER) IS (ARE) TRANSFERABLE BY THE BENEFICIARY (INCLUDING AS COLLATERAL FOR INDEBTEDNESS OF THE BENEFICIARY), AND MAY BE SUCCESSIVELY TRANSFERRED. WE HEREBY ACKNOWLEDGE AND CONSENT, WITHOUT FURTHER CONDITIONS, TO THE PRESENT OR FUTURE ASSIGNMENT OF THE PROCEEDS OF ANY DRAWING UNDER THIS LETTER OF CREDIT. TRANSFER OF THIS LETTER OF CREDIT (INCLUDING THE DRAW RIGHTS) OR ANY ASSIGNMENT OF DRAW PROCEEDS HEREUNDER SHALL BE EFFECTED, WITHOUT FURTHER CONDITIONS, BY THE PRESENTATION TO US OF AN APPROPRIATELY COMPLETED CERTIFICATE SUBSTANTIALLY IN THE FORM OF EXHIBIT 3 ATTACHED HERETO PURPORTEDLY BEARING THE SIGNATURE OF AN AUTHORIZED PERSON FOR THE BENEFICIARY (“TRANSFER CERTIFICATE”). UPON RECEIPT OF A TRANSFER CERTIFICATE, WE UNDERTAKE TO EXECUTE PROMPTLY THE CONFIRMATION SET FORTH AT THE END OF THE TRANSFER CERTIFICATE AND FORWARD THE SAME DIRECTLY TO THE TRANSFEREE; HOWEVER, SUCH CONFIRMATION SHALL NOT BE A CONDITION TO THE TRANSFER. WE HAVE NO DUTY OR RIGHT TO INQUIRE INTO WHETHER ANY TRANSFEREE OF THIS LETTER OF CREDIT (INCLUDING THE DRAW RIGHTS HEREUNDER) IS THE BENEFICIARY’S PERMITTED ASSIGNEE OR SUCCESSOR UNDER THE AGREEMENT OR ANY OTHER CONTRACT AND WE MAY RELY EXCLUSIVELY ON YOUR CERTIFICATE. A TRANSFEREE OF THIS LETTER OF CREDIT SHALL SUCCEED AND BE ENTITLED TO ALL RIGHTS AND SUBJECT TO ALL OBLIGATIONS OF THE ASSIGNING BENEFICIARY UNDER THIS LETTER OF CREDIT FROM AND AFTER THE EFFECTIVENESS OF THE TRANSFER OF THIS LETTER OF CREDIT TO SUCH TRANSFEREE.

ALL BANKING CHARGES ASSOCIATED WITH THIS LETTER OF CREDIT ARE FOR THE ACCOUNT OF THE APPLICANT.

AS USED HEREIN, “BUSINESS DAY” MEANS ANY DAY OTHER THAN SATURDAY, SUNDAY, OR A DAY ON WHICH COMMERCIAL BANKS IN NEW YORK, NEW YORK, ARE AUTHORIZED OR REQUIRED TO CLOSE.

THIS LETTER OF CREDIT IS GOVERNED BY THE INTERNATIONAL STANDBY PRACTICES, INTERNATIONAL CHAMBER OF COMMERCE (ICC) PUBLICATION NO. 590 (“ISP98”), EXCEPT TO THE EXTENT THAT THE TERMS OF THIS LETTER OF CREDIT ARE INCONSISTENT WITH THE PROVISIONS OF THE ISP98, IN WHICH CASE THE TERMS OF THIS LETTER OF CREDIT SHALL GOVERN. AS TO MATTERS NOT ADDRESSED BY THE ISP98, AND TO THE EXTENT NOT INCONSISTENT WITH THE ISP98 OR THE TERMS OF THIS LETTER OF CREDIT, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, ARTICLE 5 OF THE

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UNIFORM COMMERCIAL CODE OF THE STATE OF NEW YORK) AND APPLICABLE U.S. FEDERAL LAW.

THIS LETTER OF CREDIT, INCLUDING THE EXHIBITS HERETO, SETS FORTH IN FULL THE TERMS OF OUR UNDERTAKING, AND SUCH UNDERTAKING SHALL NOT IN ANY WAY BE MODIFIED, AMENDED, OR AMPLIFIED BY REASON OF OUR REFERENCE TO ANY AGREEMENT OR INSTRUMENT, INCLUDING ANY AGREEMENT OR INSTRUMENT IN WHICH THIS LETTER OF CREDIT IS REFERENCED. ANY SUCH AGREEMENT OR INSTRUMENT SHALL NOT BE DEEMED INCORPORATED HEREIN BY REFERENCE.

SINCERELY,

\_\_\_\_\_  
[ISSUING BANK]

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

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EXHIBIT 1

[BENEFICIARY LETTERHEAD]<sup>2</sup>

SIGHT DRAFT

[DATE]

[BANK  
DEPARTMENT  
ADDRESS STREET  
CITY, STATE, ZIP]  
ATTENTION: [STANDBY LETTER OF CREDIT SECTION]

RE: IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER [●]

FOR VALUE RECEIVED, PAY TO THE ORDER OF [●] BY WIRE TRANSFER OF IMMEDIATELY AVAILABLE FUNDS TO THE FOLLOWING ACCOUNT:

[NAME OF ACCOUNT]  
[ACCOUNT NUMBER]  
[NAME AND ADDRESS OF BANK AT WHICH ACCOUNT IS MAINTAINED]  
[ABA NUMBER]  
[REFERENCE]

THE FOLLOWING AMOUNT:

[INSERT NUMBER OF DOLLARS IN WRITING] UNITED STATES DOLLARS  
(US\$ [INSERT NUMBER OF DOLLARS IN FIGURES])

DRAWN UPON YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [●] DATED [●], 20[●].

[INSERT NAME OF THE BENEFICIARY/TRANSFeree]

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

<sup>2</sup> Use the applicable Transferee letterhead if Entergy Arkansas, LLC has transferred the Letter of Credit.



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TITLE: \_\_\_\_\_

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EXHIBIT 2

DRAWING CERTIFICATE

[DATE]

[BANK  
DEPARTMENT  
ADDRESS STREET  
CITY, STATE, ZIP]  
ATTENTION: [STANDBY LETTER OF CREDIT SECTION]

RE: IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER [●]

LADIES AND GENTLEMEN:

THE UNDERSIGNED, A DULY AUTHORIZED OFFICER OF ENTERGY ARKANSAS, LLC.<sup>3</sup> (THE “BENEFICIARY”) OF THE CAPTIONED LETTER OF CREDIT (THE “LETTER OF CREDIT”), HEREBY CERTIFIES TO [●] (THE “ISSUER”) WITH RESPECT TO THE LETTER OF CREDIT (THE TERMS DEFINED IN THE LETTER OF CREDIT AND NOT OTHERWISE DEFINED HEREIN BEING USED HEREIN AS DEFINED IN THE LETTER OF CREDIT) THAT:

(1) [●] (THE “ACCOUNT PARTY”) IS A PARTY TO THAT CERTAIN [B-O-T ACQUISITION AGREEMENT][POWER PURCHASE AGREEMENT], DATED AS OF [●], 202[●], BY AND AMONG THE ACCOUNT PARTY, [SELLER PARENT GUARANTOR,] AND THE BENEFICIARY (SUCH AGREEMENT, AS MAY BE AMENDED, SUPPLEMENTED, OR OTHERWISE MODIFIED FROM TIME TO TIME, THE “AGREEMENT).

– AND –

(2) THE AMOUNT BEING DRAWN PURSUANT TO THIS CERTIFICATE IS IN THE AMOUNT THAT IS DUE AND OWING TO THE BENEFICIARY UNDER THE AGREEMENT OR ANY OTHER “ANCILLARY AGREEMENT” (AS DEFINED IN THE AGREEMENT) BEYOND ANY APPLICABLE NOTICE OR GRACE PERIOD AND REMAINS UNPAID AT THE TIME OF THIS DRAWING.

-OR-

(3) (A) THE LETTER OF CREDIT WILL EXPIRE IN THIRTY (30) CALENDAR DAYS OR LESS OR (B) THE LETTER OF CREDIT NO LONGER SATISFIES THE REQUIREMENTS SET FORTH IN THE DEFINITION OF “LETTER OF CREDIT” IN THE AGREEMENT, AND, IN EITHER CASE, THE APPLICANT (ON BEHALF OF

---

<sup>3</sup> Use the name of the applicable Transferee if Entergy Arkansas, LLC has transferred the Letter of Credit.

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THE ACCOUNT PARTY) OR THE ACCOUNT PARTY HAS FAILED TO PROVIDE A SUBSTITUTE LETTER OF CREDIT MEETING THE APPLICABLE REQUIREMENTS OF THE AGREEMENT WITHIN THE PERIOD REQUIRED UNDER THE AGREEMENT.

IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS DRAWING CERTIFICATE ON THIS [●] DAY OF [●], 20[●].

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

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**EXHIBIT 3**

**FORM OF TRANSFER NOTICE**

[DATE]

[BANK  
DEPARTMENT  
ADDRESS STREET  
CITY, STATE, ZIP]  
ATTENTION: [STANDBY LETTER OF CREDIT SECTION]

RE: IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER [●]

LADIES AND GENTLEMEN:

THIS TRANSFER NOTICE IS PRESENTED UNDER THE REFERENCED LETTER OF CREDIT. CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS TRANSFER NOTICE HAVE THE MEANINGS GIVEN TO THEM IN THE LETTER OF CREDIT.

FOR VALUE RECEIVED, THE BENEFICIARY HEREBY IRREVOCABLY ASSIGNS TO:

NAME OF TRANSFEREE:  
ADDRESS:

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY [*PICK FIRST ALTERNATIVE FOR FULL ASSIGNMENT AND SECOND ALTERNATIVE FOR ASSIGNMENT OF PROCEEDS*] [UNDER THE LETTER OF CREDIT IN ITS ENTIRETY] [TO THE PROCEEDS OF ANY DRAWINGS UNDER THE LETTER OF CREDIT, WHICH SHALL BE PAYABLE AS FOLLOWS: [*INSERT ANY APPLICABLE PAYMENT INSTRUCTIONS*]].

THIS ASSIGNMENT SHALL BE EFFECTIVE AS OF [●].

[*INSERT ONLY FOR FULL ASSIGNMENT*] [BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY UNDER SUCH LETTER OF CREDIT ARE ASSIGNED TO THE TRANSFEREE AND THE TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS AND WHETHER NOW EXISTING OR HEREAFTER MADE. ANY AND ALL AMENDMENTS TO THE LETTER OF CREDIT AFTER THE EFFECTIVENESS OF THIS ASSIGNMENT ARE TO BE MADE DIRECTLY WITH THE TRANSFEREE AND WITHOUT THE NECESSITY OF NOTICE TO OR THE CONSENT OF THE UNDERSIGNED BENEFICIARY.]

WE ASK YOU TO EXECUTE THE CONFIRMATION SET FORTH BELOW AND FORWARD IT DIRECTLY TO THE TRANSFEREE.

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IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS TRANSFER NOTICE AS OF THE [●] DAY OF [●], 20[●].

*[INSERT NAME OF THE BENEFICIARY]*

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

IN WITNESS WHEREOF, THE UNDERSIGNED HAS EXECUTED THIS TRANSFER NOTICE AS OF THE [●] DAY OF [●], 20[●], AND HEREBY CONFIRMS THE ASSIGNMENT OF THE LETTER OF CREDIT TO THE TRANSFEREE REFERENCED ABOVE.

*[INSERT BANK NAME]*

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_